

## Message Text

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E.O. 11652: N/A

TAGS: ABLD, AFSP, UR, US

SUBJECT: KIEV PROPERTIES

REF: (A) MOSCOW 14295, (B) STATE 224582

1. SUMMARY - DURING VISIT TO KIEV, SEPTEMBER 14-16, ADVANCE PARTY REPRESENTATIVES MADE TWO INSPECTIONS OF FLORENTSIYA APARTMENTS WHERE WORK CONTINUES TO PROGRESS RAPIDLY AND SATISFACTORILY. HOWEVER, IN DISCUSSION, RUDENKO OF UPKK REVEALED THAT KIEV AUTHORITIES WOULD NOT APPROVE US PROPOSAL TO FINISH APARTMENTS USING EMBASSY SPECIALISTS. LENGTHY TALKS WITH RUDENKO RESULTED IN MODIFIED US PROPOSAL WHICH SOVIETS WILL STUDY. AT SOVIET PREFERENCE, SIX MONTH LEASE TERM FOR MOSKVA HOTEL OFFICE SPACE WAS AGREED UPON. GUTTING OF GORKIY 15 UNDERWAY. MUDENKO STATED THAT STRELETSKAYA RESIDENTS WOULD NOT BE MOVED UNTIL CONTRACT SIGNED. END SUMMARY.

2. PORTER AND WHITE INSPECTED FLORENTSIYA REMODELING SEPTEMBER 14, 16 IN COMPANY WITH RUDENKO AND CONSTRUCTION SUPERVISORS. US REPS WERE AGAIN IMPRESSED WITH RAPID PROGRESS AND HIGH QUALITY OF WORK. STATUS AS FOLLOWS: WALL SEALING AND PRIMING UNDERWAY AND 40 PERCENT COMPLETE, LAYING OF PARQUET 25 PERCENT COMPLETE. BATHS COMPLETE EXCEPT FOR FINISHING SUB-FLOORS. KITCHENS AND BUFFETS COMPLETE EXCEPT FOR SUBFLOORS AND SOME WALL FINISHING, PIPING VIRTUALLY COMPLETE EVERYWHERE AS IS INSTALLATION ELECTRIC WALL OUTLETS. SOVIETS SHOULD EASILY MEET THEIR EXPECTED DATE FOR COMPLETING BASIC REMODELING - OCTOBER 1.

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3. RUDENKO DROPPED BOMBSHELL AT FLORENTSIYA INSPECTION

SEPTEMBER 14 WHEN HE INDICATED KIEV CITY EXECUTIVE COMMITTEE (READ LAVRUKHIN) HAD REJECTED US PROPOSAL TO DO FINISHING WORK (IN KITCHENS, BATHS, ETC). WITH NON-SOVIET MATERIALS AND EMBASSY CONTRACT SPECIALISTS. RUDENKO SEEMED TO ESPOUSE THIS LINE HIMSELF, DESPITE SACHENKO'S FULL PARTICIPATION IN NEGOTIATIONS ON PROPOSAL LAST WEEK AND HIS OWN IN PRIOR DISCUSSIONS. RUDENKO ARGUED THAT US PROPOSAL VIOLATED ART 2 OF FLORENTSIYA CONTRACT AND PROPOSED TO RETURN EMBASSY LETTER OF SEPTEMBER 13 LATER RUDENKO MORE CANDIDLY CONFIDED THAT PROPOSAL WAS DEEMED HURTFUL TO PRESTIGE AND PRIDE OF CITY AND ITS CONSTRUCTION ORGANIZATIONS.

4. FOLLOWING DAY RUDENKO PRESENTED PORTER WITH DYETTER PROPOSING TO HAVE SOVIET WORKERS DO FINAL FINISHING WITH US-SUPPLIED MATERIALS WITH EMBASSY SPECIALISTS IN CONSULTING ROLE. LETTER REQUESTED ANSWER IN 24 HOURS, OR THREATENED SOVIET SIDE WOULD GO AHEAD AND FINISH APARTMENTS. DURING LENGTHY TALKS WITH RUDENKO ALONE ON SEPTEMBER 16, A COMPROMISE PROPOSAL WAS WORKED OUT WHICH WOULD ALLOW US SIDE TO DO FINISHING WITH ITS MATERIALS, OFFERED SOVIETS CONSULTING ROLE, AND INVITED THEM TO STUDY MATERIALS AND INSTALLATION TECHNIQUES. RUDENKO, WHO CAME AROUND SUFFICIENTLY TO PARTICIPATE IN DRAFTING LETTER, INDICATED HIS INTEREST IN SOLVING PROBLEM AND SAID HE WOULD TRY HARD TO SELL NEW PROPOSAL TO LAVRUKHIN AND TO HAVE RESPONSE BY SEPTEMBER 30. WE ARE MODERATELY HOPEFUL THAT WE WILL BE ABLE TO RESOLVE THIS PROBLEM SOON.

5. BEGIN COMMENT - KIEV AUTHORITIES ARE ON EXTREMELY WEAK GROUND IN TRYING TO INSIST ON MEANS AND TYPE OF FINISHING OF APARTMENTS. ARTICLE 2 OF FLORENTSIYA CONTRACT DEALS WITH UPKK'S CONTRACTURAL PREPARATORS RESPONSIBILITIES, NOT FINISHING WORK. MOREOVER, NEARLY EVERY EMBASSY, AS WELL AS ALMOST EVERY BUSINESS FIRM, BANK AND FOREIGN REPRESENTATIVE IN MOSCOW USES NON-SOVIET MATERIALS AND LABOR TO FINISH APARTMENTS. WE HAVE DONE SO FOR MANY YEARS WITHOUT DIFFICULTIES WITH UPKK. IN SUM WE HAVE NO INTENTION OF ACCEPTING KIEV AUTHORITIES ASSERTIONS THAT THEY CAN DETERMINE HOW WE SHOULD FINISH FLORENTSIYA APARTMENTS. COPIES OF LETTERS ON THIS MATTER WILL BE POUCHED TO EUR/EX AND EUR/SOV. END COMMENT.  
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6. IN DISCUSSION OF MOSKYA HOTEL RENTAL CONTRACT (REF A), RUDENKO WAS UNABLE TO OFFER ANY RENTAL CONCESSION IN RETURN FOR ONE YEAR CONTRACT ON OFFICE SPACE. STANDARD SIX MONTH CONTRACT WAS THEN AGREED UPON AND SOVIETS AGREED TO OTHER MODIFICATIONS IN DRAFT (REF B). WE ASSUME THAT IF ADVANCE PARTY STATUS IS AGREED TO WE COULD SIGN LEASE ON SEPTEMBER 23 IN KIEV, ALONG WITH PROVIDING FIRST RENTAL PAYMENT. LEASE

WOULD BE EFFECTIVE FROM SEPTEMBER 30. EUR/EX IS REQUESTED TO  
SUPPLY FORMAL APPROVAL AND FISCAL DATA.

7. INSPECTION OF GORKIY 15 ON SEPTEMBER 16 REVEALED THAT  
GUTTING OF BUILDING HAS BEGUN WITH REMOVAL OF ROOF UNDERWAY.

8. QUESTIONED ON RESETTLEMENT OF STRELETSKAYA RESIDENTS,  
RUDENKO SAID FIRMLY THAT CITY WOULD NOT AGREE TO MOVING OUT  
RESIDENTS UNTIL RENOVATION CONTRACT SIGNED.

9. CAN DEPARTMENT CONFIRM GORKIY PLANS WILL BE READY AND  
FORWARDED TO EMBASSY BY OCTOBER 1?

10. PORTER PLENA HIS ELEVENTH CONSECUTIVE VISIT TO KIEV, IN  
COMPANY WITH WHITE AND BYRNES, SEPTEMBER 21-23.  
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